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SUBJECT: THE GOI'S ECONOMIC PLAN FOR THE NEGEV AND GALILEE

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1B. 04 TEL AVIV 03085

1C. 04 TEL AVIV 03393

Classified By: Charge d'Affaires Gene A. Cretz for reasons 1.4 (b) and (d)

11. (C) SUMMARY: Vice Premier Shimon Peres is leading the GOI effort to consolidate a series of public- and private-sector development initiatives for the Galilee and Negev regions, which the GOI will push forward in tandem with disengagement.

To date there remains no comprehensive planning document that outlines exactly what the GOI plans to do in either region, and Peres staffers indicated the same to Econoff. Peres has raised the issue of possible USG assistance for the development initiative, and Peres staffers told Econoffs that they hope Congress will include such assistance in a supplemental package in early autumn. Other GOI officials have also raised the question of USG assistance with Washington. To bolster this initiative, the GOI is also seeking worldwide Jewish philanthropic assistance as a supplement to the budgetary funds. Peres and staffers have noted that "quality of life" in the two regions will improve in the form of improved roads, railway system, industrial zones, parks and other projects. In the Negev, they claim, this economic initiative will address the "Bedouin problem" of rampant unemployment, high population growth, and substandard living conditions. Israeli-Arab and NGO communities have raised serious concerns, however, that development in the northern or southern parts of Israel will further disenfranchise the Israeli-Arab minority (septel). They fear that USG support for the initiative will encourage a more rapid "takeover" of Israeli-Arab lands by the State of Israel or private Jewish citizens. END SUMMARY.

Old Plans, New Ideas, Looking Towards Galilee and Negev

12. (C) "The desert provides us with the best opportunity to begin again," stated David Ben Gurion in his memoirs. This vision to populate and use the country's vast desert regions as an economic springboard has surfaced many times within the corridors of the GOI. Between 1948-51, the GOI created plans to shape land development for the first two decades after its independence. Its main feature: population dispersal with the clear objective of filling in areas along threatened borders. By the mid-1960's, the plan became outdated and much of Israel was no longer sparsely populated nor empty. The Negev Law passed in 1986 and the Galilee Law passed in 1988 include steps to revive development of both these regions. Ministries were tasked to work closely with the Galilee and Negev planning councils for appropriate allocation of resources for housing, financing of education, health, tourism, industry, transport, communications, absorption and immigration. The Negev law was revoked in 2002, but components of the law surfaced in independent plans that addressed small communal projects.

13. (C) Beginning in 1990, massive immigration into Israel necessitated a plan to effectively address the population growth. This new plan was referred to as the "2020" plan. The Ministry of Interior, the Israel Lands Authority (ILA) and other organizations focused on creating a non-statutory master plan to serve as a framework for long-range policy in Israel. The Negev portion of the 2020 plan focuses on civic and industrial growth in the southern region. It includes plans for transportation projects, transfer of military bases, development of physical infrastructure such as roads and civil engineering projects, housing of Bedouin into permanent, recognized settlements, and developing the information technology sector. Regional planning councils from the Galilee and the Negev work with the MoI and the ILA to coordinate projects.

GOI Plan Big on Goals, Short on Details

14. (C) Vice Premier Shimon Peres is working to consolidate a number of existing public- and private-sector initiatives for the Negev and Galilee regions, consolidating them into a "strategic development plan" that he says the GOI will strive to implement in tandem with disengagement. Peres advisor, Einat Wilf told EconCouns April 14 that U.S. assistance for development of the Negev and Galilee was "put on the agenda"

with AIPAC and Congress during Peres' recent visit to the U.S. Peres put forward a figure of USD 250 million each year for four years, and the GOI hopes Congress will include the funds as part of a supplemental assistance package in early autumn. The development plan, Wilf explained, will seek to mobilize additional funds from the Israeli budget and worldwide Jewish communities. In a March meeting with A/S Welch and NSC director Abrams, Peres underlined one of the primary goals of Negev and Galilee development -- it will "provide a positive message to the Israeli people, to offset the negative message of disengagement."

15. (C) Peres staffers explained that the plan will address "overall quality of life issues" in the Negev and Galilee by focusing on improved education, housing, and employment opportunities. Staffer Uri Ben-Porath was not able to provide the details of these programs, however, explaining that the GOI hopes private investors will undertake the bulk of job-creation enterprises, including three planned high-tech parks throughout the Negev. Large-scale public sector projects, including a rail line connecting Be'er Sheva with central Israel, and new Ministry of Defense training facilities, are also planned but not yet funded. Ben-Porath emphasized that much of the GOI's direct involvement in the plan will center on the multi-ministry development initiative for the Bedouin community, which the Knesset approved in 2003 with an NIS one billion allocation. This initiative will aim to solve what Peres described to A/S Welch and NSC director Abrams as the "Bedouin problem" of high unemployment and high population growth, by relocating some 65,000 Bedouin currently living in unrecognized villages between Be'er Sheva and Dimona to GOI designated areas in the Negev region. Despite a proliferation of GOI offices and outside consultants tasked with planning and implementing Bedouin relocation -- including a field office in Be'er Sheva staffed by Amram Khalaji and several planning engineers -- Ben-Porath conceded that NIS one billion is "not sufficient to build even one new town." "We will seek the rest of the money from other sources," he said, but could not specify whether the GOI expects USG assistance for this program.

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